

PREVAILED

Roll Call No. _____

FAILED

Ayes _____

WITHDRAWN

Noes _____

RULED OUT OF ORDER

HOUSE MOTION _____

MR. SPEAKER:

I move that House Bill 1167 be amended to read as follows:

- 1 Page 2, between lines 7 and 8, begin a new paragraph and insert:
- 2 "SECTION 2. IC 6-3.1-32 IS ADDED TO THE INDIANA CODE
- 3 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE
- 4 JULY 1, 2007]:
- 5 **Chapter 32. Family Education Tax Credit**
- 6 **Sec. 1. As used in this chapter, "ADM" has the meaning set**
- 7 **forth in IC 20-43-1-6 and includes adjusted ADM (as defined in**
- 8 **IC 20-43-1-4).**
- 9 **Sec. 2. As used in this chapter, "dependent" has the meaning set**
- 10 **forth in Section 152(a) of the Internal Revenue Code.**
- 11 **Sec. 3. As used in this chapter, "qualified education**
- 12 **expenditures" means expenditures made by a taxpayer during the**
- 13 **twelve (12) month period beginning July 1 and ending June 30 of**
- 14 **the taxable year for a dependent with respect to a school of choice**
- 15 **for any of the following:**
- 16 **(1) Fees for academic tuition or instruction.**
- 17 **(2) If the dependent is not enrolled in a school that charges**
- 18 **tuition, expenditures for computer software, textbooks,**
- 19 **workbooks, curricula, school supplies other than personal**
- 20 **computers, and other written materials used primarily for**
- 21 **academic instruction and academic tutoring.**
- 22 **(3) Expenditures for transporting the dependent to and from**
- 23 **the school of choice where the dependent is enrolled,**
- 24 **excluding transportation for extracurricular activities.**

However, the total of a taxpayer's expenditures described in this section must be reduced by the amount of a scholarship received under IC 20-50-2 to determine qualified education expenditures for purposes of sections 7(1) and 8(b)(1) of this chapter.

Sec. 4. As used in this chapter, "school of choice" is either a:

- (1) nonpublic school (as defined in IC 20-18-2-12); or
- (2) public school (as defined in IC 20-18-2-15) in which a dependent is enrolled but that is not the dependent's school of legal settlement for purposes of the general school tuition support formula.

Sec. 5. As used in this chapter, "taxpayer" means:

- (1) an individual who is; or
- (2) an individual and the individual's spouse, in the case of a joint return, who are;

subject to the adjusted gross income tax.

Sec. 6. This chapter applies to a taxpayer who has a dependent who has legal settlement in a school corporation located in Indiana.

Sec. 7. Except as provided in section 8 of this chapter, a taxpayer who makes qualified education expenditures is entitled to a credit against the adjusted gross income tax imposed by IC 6-3 for the taxable year. The credit to which the taxpayer is entitled for all the taxpayer's dependents combined is equal to the lesser of:

- (1) the qualified education expenditures of the taxpayer; or
- (2) the following amount for each taxpayer:

Taxable Year Ending In	Amount
2008 and 2009	\$1,000
2010 and 2011	\$1,500
2012 and 2013	\$2,000
2014 and 2015	\$2,500
2016 and thereafter	\$3,000

The credit amount under this section with respect to one (1) dependent is reduced by any credit amount with respect to other dependents under section 8 of this chapter.

Sec. 8. (a) This section applies to the determination of a credit for any taxpayer with respect to any dependent who is not enrolled in a public school in 2007 but who is eligible for enrollment in a public school in 2007.

(b) A taxpayer described in subsection (a) is not entitled to a credit under this chapter for expenditures made before July 1, 2009, with respect to the dependent described in subsection (a). The credit for such a taxpayer for expenditures made with respect to the dependent after June 30, 2009, is equal to the lesser of:

- (1) the qualified education expenditures of the taxpayer; or
- (2) the following amount for each taxpayer:

Taxable Year Ending In	Amount
2010 and 2011	\$500
2012 and 2013	\$1,000

1	2014 and 2015	\$1,500
2	2016 and 2017	\$2,000
3	2018 and 2019	\$2,500
4	2020	\$3,000

5 (c) Before December 1 each year, the department shall provide
6 to the department of education the number of dependents who
7 qualify a taxpayer for a credit under this section. The department
8 of education shall reduce the next six (6) distributions of tuition
9 support on a statewide average basis by the amount of the credits
10 granted under this section for the previous calendar year. The
11 maximum state distribution (as defined in IC 20-43-1-18) shall be
12 reduced for that calendar year by the same amount.

13 (d) This section expires for taxable years ending after 2020.

14 Sec. 9. (a) Before December 1 each year, the department shall
15 provide to the department of education the number of dependents
16 who qualify a taxpayer for a credit under section 7 of this chapter
17 who have legal settlement in each school corporation.

18 (b) Notwithstanding the state tuition support formula and laws
19 governing the counting of pupils in ADM, if a dependent:

- 20 (1) qualifies a taxpayer for a credit under this chapter; and
- 21 (2) is not already being counted in the ADM of the school
22 corporation in which the dependent has legal settlement;

23 the department of education shall for tuition support distributions
24 count the dependent in the ADM of the school corporation in which
25 the dependent has legal settlement. However, when making the
26 distribution to that school corporation, the department of
27 education shall subtract from the total of all components of state
28 tuition support and categorical grants, except special education
29 grants, the average amount per ADM for the distribution.

30 (c) This section applies to a school corporation for purposes of
31 calculating tuition support distributions regardless of how the
32 scholarship student might otherwise be treated under the school
33 funding formula.

34 Sec. 10. The department shall develop a process and create
35 forms that will:

- 36 (1) permit the taxpayer to assign credits under this chapter to
37 the school of choice in which the taxpayer's dependent is
38 enrolled; and
- 39 (2) allow the school that receives an assignment of credits to
40 claim and receive the amount of the credit as soon as the
41 taxpayer has filed the required income tax return for the
42 taxable year.

43 Sec. 11. If the amount of the credit provided by this chapter that
44 a taxpayer uses during a particular taxable year exceeds the sum
45 of the taxes imposed on the taxpayer by IC 6-3 for the taxable year
46 after the application of all credits that under IC 6-3.1-1-2 are to be
47 applied before the credit provided by this chapter, the excess shall

1 be returned to the taxpayer as a refund.

2 **Sec. 12. Acceptance by a taxpayer of a credit for qualified**
 3 **education expenditures for a dependent under this chapter does not**
 4 **provide any governmental entity or agency of the state with**
 5 **jurisdiction, authority, or control over the dependent's educational**
 6 **provider.**

7 **SECTION 3. IC 20-50 IS ADDED TO THE INDIANA CODE AS**
 8 **A NEW ARTICLE TO READ AS FOLLOWS [EFFECTIVE JULY 1,**
 9 **2007]:**

10 **ARTICLE 50. SCHOLARSHIPS**

11 **Chapter 1. General Provisions**

12 **Sec. 1. The definitions in this chapter apply throughout this**
 13 **article.**

14 **Sec. 2. As used in this chapter, "ADM" has the meaning set**
 15 **forth in IC 20-43-1-6 and includes adjusted ADM (as defined in**
 16 **IC 20-43-1-4).**

17 **Sec. 3. As used in this chapter, "eligible student" means a**
 18 **student who meets the requirements of IC 20-50-2-2.**

19 **Sec. 4. As used in this chapter, "school of choice" means a**
 20 **nonpublic school or a public school in which a dependent is**
 21 **enrolled but that is not the dependent's school of legal settlement**
 22 **for purposes of the general school tuition support formula, if the**
 23 **school:**

24 (1) **is accredited by the state of Indiana or a national**
 25 **accrediting body;**

26 (2) **is not required to provide supplemental educational**
 27 **services for its students or to institute corrective action under**
 28 **20 U.S.C. 6316;**

29 (3) **complies with all health and safety laws that apply to**
 30 **public schools, if the school is a public school, or nonpublic**
 31 **schools, if the school is a nonpublic school;**

32 (4) **holds a valid occupancy permit, if required; and**

33 (5) **certifies that it will not discriminate in admissions on the**
 34 **basis of race, color, or national origin.**

35 **Sec. 5. As used in this chapter, "scholarship" refers to the**
 36 **scholarship awarded under the program established by**
 37 **IC 20-50-2-1.**

38 **Chapter 2. Freedom to Achieve Scholarship Program**

39 **Sec. 1. There is established the freedom to achieve scholarship**
 40 **program to assist parents and guardians in paying the costs of their**
 41 **child attending a school of choice.**

42 **Sec. 2. A student who meets the following conditions is eligible**
 43 **for a scholarship under this chapter for a school year:**

44 (1) **The student was enrolled in a public school during the**
 45 **school year preceding the first school year for which a**
 46 **scholarship is sought.**

47 (2) **The public school attended by the student under**

subdivision (1) was either required to provide supplemental educational services for the student or institute corrective action under 20 U.S.C. 6316 for the year the student attended the public school.

(3) The student has legal settlement in a school corporation located in Indiana.

(4) The student is enrolled in a school of choice for the school year for which a scholarship is sought.

Sec. 3. The parent or guardian of an eligible student seeking a scholarship must apply to the department. The department shall prescribe the form of the application. The application for a scholarship for a particular school year must be filed after June 15 and before July 16 of the calendar year in which the school year begins. The department shall make a determination as to whether an applicant has an eligible student within thirty (30) days after the application is filed. The amount of the scholarship for each eligible student is the lesser of:

(1) the cost of tuition, textbooks, and other mandatory fees, not including fees for extracurricular activities, charged by the school of choice for the eligible student; or

(2) the sum of the average amount per ADM with respect to the public school in which the dependent is eligible for enrollment for:

(A) all components of state tuition support and categorical grants, except special education grants; plus

(B) the ad valorem property taxes for the school corporation's general fund;

for the school year for which the scholarship applies. The department shall provide the full scholarship amount by paying equal installments to the school of choice at the same times the department makes a tuition support distribution to the public school in which the eligible student has legal settlement. If an eligible student withdraws from a school of choice, the school of choice shall notify the department within ten (10) days. The department shall thereafter terminate payments to the school of choice for that student.

Sec. 4. To receive a scholarship distribution, a school of choice must agree with the department to do the following:

(1) Determine before enrolling any potential scholarship students the specific number of scholarship students who will be admitted, and, if applicants under the program exceed the determined number of spaces available at any particular grade level, conduct a random selection process to determine those students who are admitted to that grade level. Exceptions to this random selection may be made to accommodate siblings of students who are already enrolled or selected for enrollment in the school.

1 **(2) Not charge any tuition or other fees in excess of the**
 2 **scholarship amount.**

3 **(3) Not charge any tuition or other fees under the scholarship**
 4 **program that exceed the standard rates charged to other**
 5 **students who pay tuition to enroll in the school.**

6 **(4) Not refund, rebate, or share a student's scholarship with**
 7 **a parent or the student in any manner.**

8 **(5) Use a student's scholarship only for educational purposes.**

9 **(6) Provide regular academic progress reports to the parents**
 10 **of students enrolled under the scholarship program.**

11 **Sec. 5. (a) Notwithstanding the state tuition support formula and**
 12 **laws governing the counting of pupils in ADM, an eligible student**
 13 **who:**

14 **(1) is provided a scholarship under this chapter; and**

15 **(2) is not already being counted in the ADM of the school**
 16 **corporation in which the dependent has legal settlement;**

17 **shall, for purposes of calculating tuition support distributions,**
 18 **continue to count in the ADM of the school corporation in which**
 19 **the dependent has legal settlement. However, when making tuition**
 20 **support distributions to that school corporation, the department**
 21 **shall under subsection (b) reduce the amount to be distributed.**

22 **(b) If the amount determined under section 3(1) of this chapter**
 23 **is greater than the amount determined under section 3(2) of this**
 24 **chapter, the reduction under subsection (a) for each scholarship**
 25 **student is the amount determined under section 3(2) of this**
 26 **chapter. Otherwise, the reduction is the greater of the amount**
 27 **determined under:**

28 **(1) section 3(1) of this chapter; or**

29 **(2) section 3(2)(A) of this chapter.**

30 **(c) Fifty percent (50%) of the reduction under subsection (b)**
 31 **shall be applied to the October distribution to the school**
 32 **corporation and the remaining fifty percent (50%) shall be applied**
 33 **to the distribution in the following June.**

34 **(d) This section applies to a school corporation for purposes of**
 35 **calculating tuition support distributions regardless of how the**
 36 **scholarship student might otherwise be treated under the school**
 37 **funding formula.**

38 **Sec. 6. An amount sufficient to provide scholarships and grants**

- 1 **under this chapter shall be paid from the state general fund.**
2 SECTION 4. [EFFECTIVE JULY 1, 2007] **IC 6-3.1-32, as added**
3 **by this act, applies to taxable years beginning after December 31,**
4 **2007.".**
5 Renumber all SECTIONS consecutively.
 (Reference is to HB 1167 as printed February 9, 2007.)

Representative Behning